CS150-4

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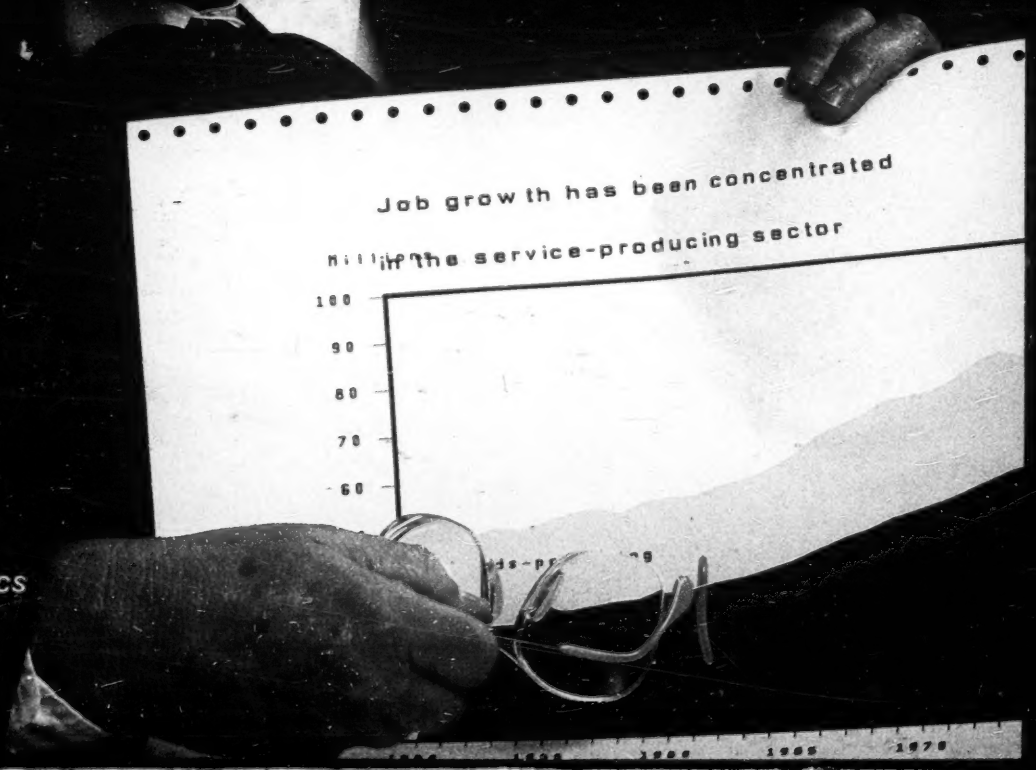
The Hourly Labor Force:

And Then There Was None



Janet L. Norwood,
Commissioner for
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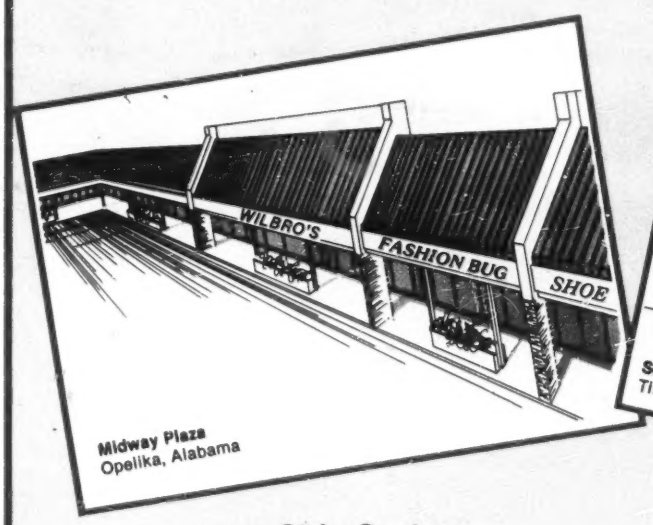
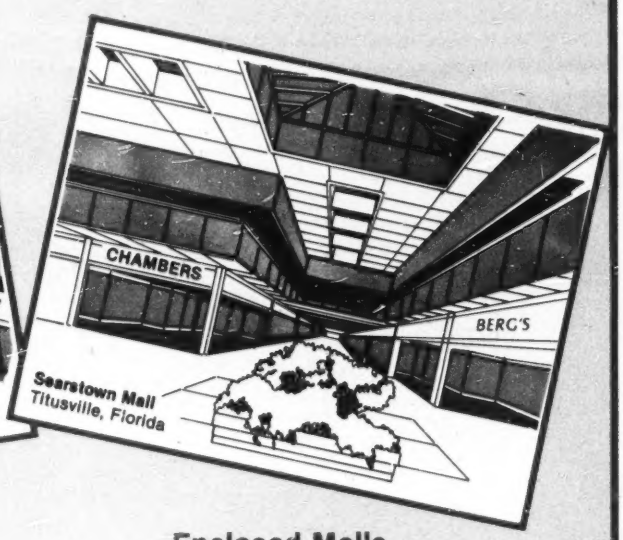


Midway Plaza
Opelika, Alabama



Searstown Mall
Titusville, Florida

Strip Centers

Berwick Shopping Center
Berwick, Penna.
Blackman Plaza
Wilkes-Barre, Township, Penna
Brockton Plaza
Brockton, Massachusetts
Dunmore Plaza
Dunmore, Penna.
Park Plaza
Ft. Oglethorpe, Georgia
Kingston Plaza
Kingston, Penna.
New Loudon Center
Latham, Colonie, N.Y.
Luzerne Street Shopping Center
Scranton, Penna.
Madeira Plaza
Reading, Penna.
Mark Plaza Shopping Center
Edwardsville, Penna.
Mountainville Shopping Center
Allentown, Penna.
Normsndale Shopping Center
Montgomery, Alabama
New Smyrna Beach Shopping Center
Smyrna Beach, Florida
Newberry Plaza
Newberry, S. Carolina
Martintown Plaza
N. Augusta, S. Carolina
Midway Plaza
Opelika, Alabama
Ames Plaza
Shamokin, Penna.
Monroe Plaza
Stroudsburg, Penna.
Troy Plaza
Troy, N.Y.
Plaza #6 Shopping Center
Tunkhannock, Penna.

Enclosed Malls

Birney Plaza
Moosic, Penna.
Route #6 Mall
Honesdale, Penna.
Plaza #422
Lebanon, Penna.
Ledgewood Mall
Ledgewood, New Jersey
Plaza #15
Lewisburg, Penna.
Pittston Mall
Pittston Township, Penna.
Northwood Mall
Tallahassee, Florida
Searstown Mall
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LABOR: AND THEN THERE WAS NONE

EPIDEMIC SHORTAGE OF HOURLY WORKERS AFFLICTING RETAIL INDUSTRY

Hiring tables vie with merchandise displays in Bradlees New England discount stores.

Job fairs to entice potential employees are held at the Tyson's Corner center in Fairfax, Va. They are organized like trade shows with each retailer occupying a booth.

A Winnebago camper doubling as a mobile employment office cruises Washington, D.C.-area schools scouting students for part time work at Giant Food, the Landover, Md.-based supermarket chain.

Despite the estimated 8.5 million people currently seeking work, a labor shortage is afflicting retailers. It is already nearing epidemic proportions on the East Coast and seems to be moving westward.

More specifically, the New England states, metropolitan Washington, D.C., northern and central New Jersey and the Atlanta environs are cited as the tightest of the labor markets. Several retailers also have reported a slight tightening in both the Midwest and on the West Coast.

"It's just starting to hit Minneapolis . . . I anticipate it's going to grow and reach the Midwest in about a year," speculates Thomas Harms, director of human resources for Dayton Hudson Department Stores. (Dayton Hudson raised its hourly wage twice last year and extended its discounts to include part-timers.)

Says a West Coast-based retailer, "I see no way, facing the numbers, five years out this shortage is not going to be a more significant problem."

Already, the tight labor market has forced many retailers to resort to creative, if not costly, methods of recruiting and retaining hourly workers. In many cases wages have been raised or incentives offered in order to entice a limited labor force to man the sales floors of retail stores.

The heart of the problem is reflected in three statistics that do not bode well for the hiring of retail hourly employees *(see accompanying charts)*:

- The number of labor force participants in the 16 to 24 year old age group will continue to diminish through 1995;
- The retail industry will be the second leading creator of new jobs through the next 10 years;
- Wages for retail non-supervisory personnel are the lowest among non-agricultural industries.

The brouhaha over the numbers stems from a characteristic of the retail labor force atypical of most other industries: "The profile of retail workers in general is much younger than other industries or the total of all industries," explains Janet L. Norwood, Commissioner for Bureau of Labor Statistics (BLS). "In fact, almost one-third of the workers in retail trade are 16 to 24." Specifically, 16 to 19 year olds account for about 8.4% of the work force in retail, vs. 6% for all industries; 20 to 24 year olds make up 21.9% of the retail workers, as opposed to 13% for all industries.

As top dog at the BLS, Norwood has first-hand knowledge of the numbers that are cause for concern for many retailers. Given the bent of retailers to go after young, cheap labor, she admits, the future—as well as the present—does not look good.

The effects of this diminishing young labor pool—which has been shrinking since around 1979—were first felt about a year ago by the fast food industry. That industry so far has been bearing the brunt due to its low wages and rapid expansion rate. Retailing, however, is rapidly emerging as the second most affected industry, largely because it competes with fast food operators for hourly workers.

"Recruiting has been a problem over the last five years, but it's intensified," reports Richard Pires, Bradlees director of executive recruitment and employment. The chain has had difficulties filling vacancies that can sometimes go as high as 40 positions out of a total of 200 in a store.

Like many other retailers in New England, Bradlees is van pooling people to its stores from surrounding locations. Some of the chain's workers are now riding an hour or more on company-provided transportation—and are on the clock for the commute.

"We try to recruit groups with a high unemployment rate . . . last

Christmas we worked with the NAACP recruiting 300 people from the Boston inner-city and vanning them to our suburban stores," Pires says of the chain's efforts.

The in-store hiring tables target housewives who have considered working but not yet pursued a job. "There's a sense of immediacy to having hiring tables; they [potential workers] can fill out an application and be interviewed on the spot, so it increases the chances of people's applying," Pires explains.

Others having hiring difficulties in New England are Hannaford Bros. supermarkets and Filene's Department Stores (which reportedly has been van pooling for months.)

While Malcolm Sherman, president of Framingham, Mass.-based Zayre Stores, declines to comment on the hiring situation, the chain reportedly has run a direct mail campaign seeking New England high school students for accounting clerks' jobs.

The problem has affected specialty stores as well. The Gap, a nationwide chain, first felt the pinch in Boston, where it has:

- increased its classified advertising;
- increased its hourly wage;
- begun recruiting "eligible-looking customers";
- offered incentives such as gift certificates to employees who recruit other workers;
- started "being nicer to its employees," says John P. Carver, corporate senior vp-human resources, The Gap.

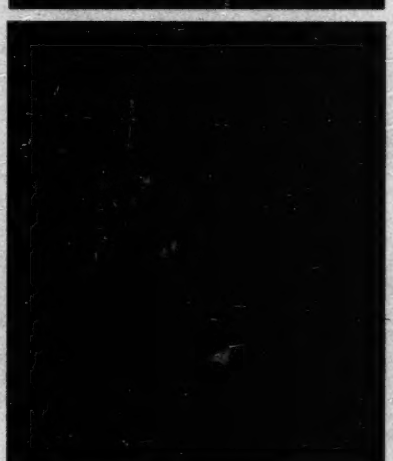
The chain, he says, has now started to feel a similar tightening in Washington D.C.

Giant is one of many Washington area retailers vying for a limited labor pool. At a starting (union) wage of $3.72 an hour, it is having a tough time of it, particularly in the wealthier Washington suburbs. "The young kids don't want to work for $3 or $4 an hour. Sometimes their allowance is more than what they'd make from us," says a company spokesman, only half joking.

The competition for labor on the East Coast has reached as far south as Atlanta. Recently, reports have surfaced saying Atlanta retailers have resorted to giving hiring bonuses to new employees. That is, if a new employee stays 30, 60 or 90 days, he will be awarded as much as a few hundred dollars.

"The problem with the bonuses," says one retailer, "is that jobs are so plentiful, the employee stays, collects the bonus and within a month or so leaves to take another job. All the training is wasted."

John Weitnauer, ceo of Richway, Federated's Atlanta-based discount division, reports that in some cases the chain has upped wages. ". . . we're also trying to show our people there's a career path in retailing . . . and we're making a concerted effort to promote from within."



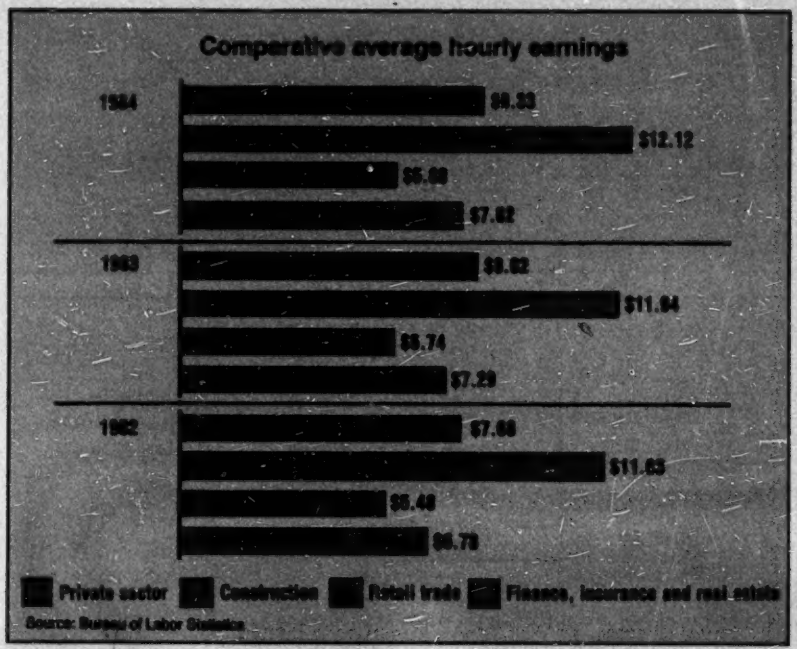
Lately, Janet L. Norwood, Commissioner for Bureau of Labor Statistics, gets a lot of requests to address the labor shortage. "It's better than having an industry with declining employment," she says knowingly. "Nobody ever thinks about that; that's an important part of the equation, too."

Despite these reports on recruiting and retention travails, there is no way to quantify the degree of difficulty retailers are having. The BLS does not compile statistics on job vacancies because of the cost (approximately $20 million) and the level of difficulty involved, Norwood explains.

However, a good estimate on the level of unfilled jobs can be made by looking at unemployment rates in specific areas of the country. The lower the rate, the more job vacancies. For example, compared with a national unemployment average of 7.3% (as of January 1986, the latest figure available), the Boston metro area stood at 3.3%, metro Washington, D.C., at 3.8%, and metro Atlanta at 4.4%.

Other than low unemployment, there seems to be no sweeping commonality among those areas experiencing difficulty.

Complicating the predictability of the labor shortage's progress are myriad other factors, point out both Norwood and most retailers: Will the continued influx of women into the labor force offset the decline in the 16 to 24 year olds? What is the future of the predominant industry in an area and how much competition for workers will it present? What effect does the unionization of a retailer and the resultant long-term stability of wages have on that retailer's ability to attract



Washington, D.C: Taking an aggressive stance

Despite the number of retailers affected by a growing labor shortage, there is only one area that reports a group effort to recruit workers. Washington, D.C., retailers are seeking relief under the auspices of the Greater Washington Board of Trade, a regional chamber of commerce, whose members include 150 retailers operating more than 1,000 stores.

"We now have efforts under way to respond to two problems for which the solution is the same," reports Garry Curtis, director of the board's retail bureau. "One problem is clearly a labor shortage of entry level, unskilled workers; the other is continuing pockets of unemployment in this region."

Working through the Private Industry Council and using public training funds, the board has set up pre-employment training classes to educate and place the "hard core unemployed." Courses focus on such areas as proper work attire; punctuality; the expectations of employers; and the paybacks and positive benefits of working.

Curtis, who is familiar with the Washington employment scene, reports that retailers are using aggressive recruiting hiring tactics, such as:

- The placing of employment ads by Hecht's department store in the Style section of the *Washington Post* to lure housewives;
- recruiting at senior citizens clubs and agencies;
- recruiting teachers as well as students for part-time jobs;
- the sponsorship of job fairs by shopping centers, such as Tyson's Corner, for mass recruiting.

workers? How will the leveling off in the demand for part time work affect retailers who rely heavily on part-time staffers?

It is these other factors that will hasten the spread of the labor shortage into the more depressed Midwestern region, as Dayton Hudson's Harms predicts.

Detroit, he says, will be a target because the area is undergoing a turnaround *(see story this issue)*. The leading industry there, auto manufacturing, has called back many workers. Those who haven't gone back to work, he continues, have moved, found other occupations or are unwilling to give up public assistance to switch to a low paying retail job.

When it comes to speculating what the long-term, overall effects of fewer workers will be on retailing, no one is eager to forecast. Nor can anyone anticipate what effect automation and retail technology will have on retailers' demand for labor.

Venturing a guess, Carver states, "If retail requirements are growing and the pool of applicants is diminishing, then it's pretty obvious what's going to happen—you're probably going to get wage escalation—you'll pay more for the good people. You might also look at the people you're trying to attract and change your [service] standards or look for different labor pools you haven't tapped yet."

At this juncture, there are no statistics to quantify what increased payroll and recruiting cost are doing to the bottom line, if anything. Alice Bird McCord, who oversees planning and research at the National Retail Merchants Association (NRMA), suggests that some retailers may be hiring fewer people to staff the sales floor or substituting technology for labor. In either case, given the decreased numbers of workers, wages could be raised without any direct effects on payroll. (The NRMA is currently compiling data on payroll costs that will be presented at its fall human resources conference.)

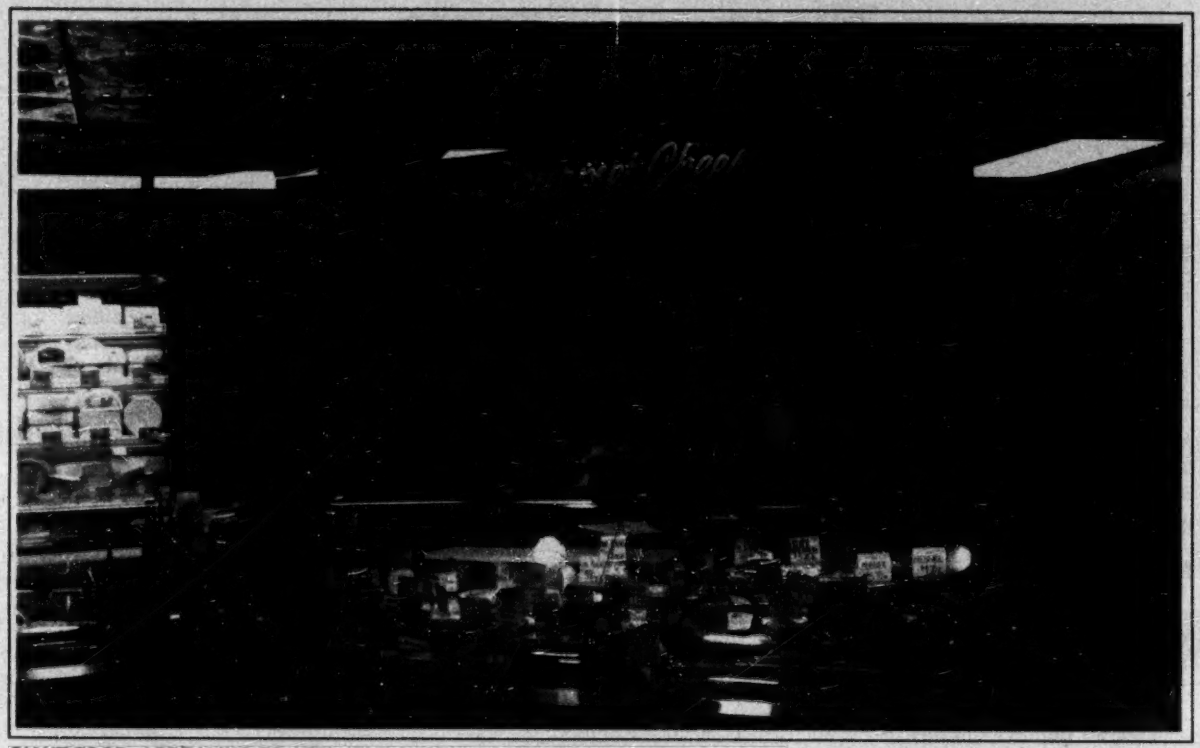
By all accounts, say retailers, increased wages will not mean increased prices. If push comes to shove, says one retailer, he may explore the option of eliminating a layer of management to compensate for increasing hourly wages.

Automation, depending on the level already implemented, is another frequently mentioned option. "We would seek to get higher productivity out of the workers we already have," says Dayton Hudson's Harms. "We'd offer incentives to motivate people."

"If I were a major chain like Macy's or Federated, I'd be spending an awful lot of money on trying to think about [attracting people]," says one retailer. "I'd also be spending a tremendous amount of money on thinking of new ways to present merchandise and how to make the stores more effective in a self-service way."

This is the time to train customers to be both more self-service oriented and more accustomed to dealing with in-store sales devices, like video terminals, he says. "Now is the time to be testing all these things, while you still have—relative to five years from now—lots of people on your selling floors." ■

—Holly Klokis



GIANT FOOD: APPEALING TO AFFLUENT CUSTOMERS WITH SPECIALTY SERVICES

SPECIALTY APPROACH GAINING MOMENTUM

SURVEY SHOWS SUPERMARKETERS TURNING TO DEPARTMENTALIZATION

Customers have come to *expect* to find specialty departments when they shop at Giant Food.

That's been true ever since the early days of the Landover, Md.-based supermarket chain, since it made its Heidi bakery products into a household staple, serving the needs of its quickly growing marketplace.

Through the years it has continued this tradition of service, with the departments found in its stores consequently becoming more sophisticated as the affluency of its customers climbs.

In its Rockville, Md.-prototype store, for example, specialty departments run the gamut from bakery to gourmet cheeses to service seafood to full-scale floral, plus a host of others. This is service—and this is specialization—to the nth degree.

Giant Food isn't alone in realizing that the specialty approach to retailing can work for the supermarket industry too—just as department stores have found considerable success with their boutique approach to merchandising.

For example, Norfolk, Va.-based Farm Fresh *(see story this issue)* has gone so far as to devote an average of 30% of the space in all of its stores to specialty departments. There are often as many as 20 of these departments in a single store.

While many supermarket operators may not be as committed to such departments as these two East Coast chains, there's no doubt that specialty departments are increasing in popularity. Savvy operators are creatively installing many such departments in an all-out bid to distinguish themselves from other chains in the market area. They are also realizing that the presence of such departments can be a powerful draw for customers—sometimes even outweighing the low-price appeal of a nearby competitor.

A recent study conducted by *Chain Store Age Executive* confirmed this trend. The primary areas of investigation include the following:

- A detailing of the specialty departments currently utilized by the chain, as well as those planned for inclusion in the coming year;
- Specialty department space allocation trends;
- Estimated weekly sales and gross profit margins achieved by the specialty departments;
- Chain demographics.

Specifically, the results indicate that supermarkets are currently devoting an average of 21.4% of their selling space to house a wide variety of specialty departments. By year-end, this number is expected to rise to 23%.

To state this another way, from 1984 to 1985 those chains participating in this survey report that they increased the amount of selling space set aside for specialty departments by 11.4%. From 1985 to 1986, this trend slowed somewhat, but still space allocations increased by an additional 7.6%.

The most prevalent such department is unquestionably the in-store bakery. Of the chains participating in the survey, 93% report that they have a bakery in one or more of the stores they operate (but with no further ad-

A&P: RECOGNIZING THE IMPORTANCE OF THE IN-STORE BAKERY DEPARTMENT

ditions planned for the current year).

Second in popularity but gaining on the in-store bakery is the gourmet deli department. While 83% of the chains report that they have such a department in at least one of their stores, 88% expect to have at least one up and running by the end of this year.

Another department clearly growing in number is service seafood. Seventy-three per cent of the chains surveyed operate at least one such department; this number will increase to 80% by the end of this year. (One of the major reasons for this increase is the trend toward including more seafood and less red meat in menu planning.)

Other departments showing significant signs of popularity include the following:

- florist; 65% of the respondents surveyed report having this department in at least one of their stores;
- bulk foods; 63% run at least one such department. (However, supermarket operators indicate a trend toward scaling down this department.);
- service meat or butcher shop; 60% report running such a department. (The number is expected to climb to 65% by year-end as consumers respond to more service being offered—providing freshness and choice in meat products.);
- pharmacies; at least one operated by 53% of the survey respondents, and 60% expect to operate one or more before year-end.

The department, though, that is gaining the most momentum in supermarkets is related to the booming video-rental business, according to a number of operators. While presently only 3% of the chains surveyed operate such a department, these operators believe the number will rise quickly as supermarkets find ways to cash in on this craze.

However, as increasingly prevalent as such departments are becoming among supermarket chains, the survey also reveals that not any one department is evident at all of the supermarkets within the given chains.

In fact, less than half of all the chains reported having any particular specialty department at more than 50% of their individual supermarket locations.

Even in the case of in-store bakeries, only 48% of the chains surveyed report having these located in more than half of their store locations. Gourmet delis are found in more than 50% of the locations of 45% of those surveyed, with service seafood dropping down to being present in more than half of the locations of only 25% of those surveyed.

It is interesting to note, though, that of the 65% of the respondents reporting operating florist departments, 35% have them present in more than half of their stores *(see accompanying chart)*.

In selecting the survey sample for this research project, both first-tier chains (in terms of annual dollar volume) and second-tier chains were included. The results show that, in general, the higher dollar volume operations are more likely than the second-tier chains to have a variety of specialty departments in their supermarkets. Specifically, with the exception of in-store bakeries, each selected department is found more often at chains ranked in the top 100 than at those ranking lower in dollar sales volume.

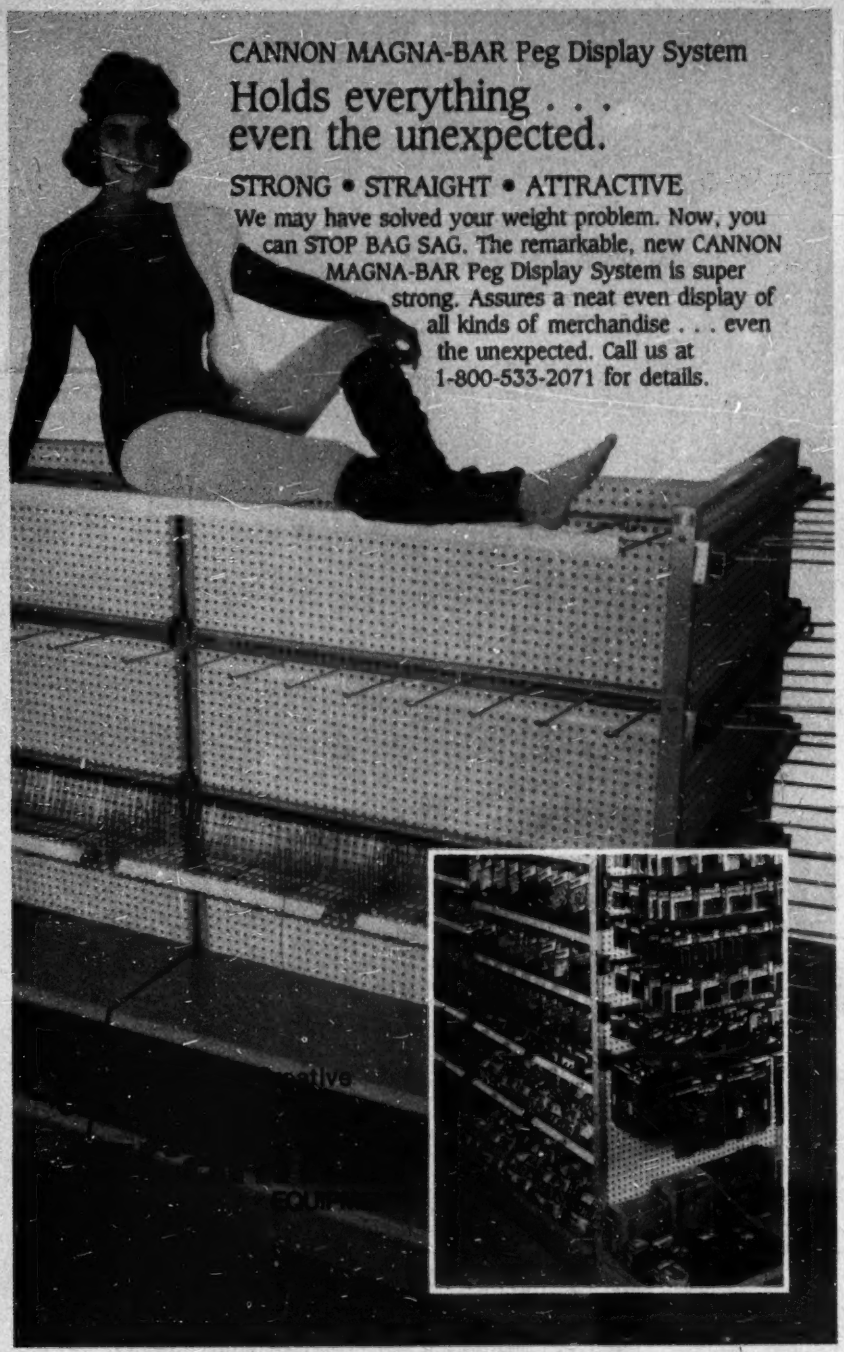
The gap is particularly large in respect to florist departments, found in at least one unit of 85% of the top 100 chains included in the survey, but falling to 45% in the case of the second-tier chains.

With respect to pharmacy departments, the difference is also significant, with 75% and 30% respectively reporting that they currently operate at least one of these departments. However, here the gap appears to be narrowing rapidly with 15% of the second-tier chains in the survey expecting to add at least one such department before this year is over.

In general, though, the majority of both first- and second-tier chains surveyed do not expect to create any new types of specialty departments not currently found somewhere within their chains, instead indicating that they prefer to devote their attention to expanding existing concepts to more store units within their chains (or expanding departments already in place in selected units).

Specifically, 80% of the first-tier chains and 70% of the second-tier chains do not plan to begin operating

	% of chains having department at . . .	
	At least one location	More than 50% of their locations
In-store bakery	[illegible]%	48%
Gourmet deli	83	45
Service seafood	73	25
Cheese shop or nondeli gourmet foods	65	10
Florist	85	35
Bulk foods	63	18
Service meat or butcher shop	60	18
Pharmacy	53	18
Roasted chickens	8	3
Candy	5	—
Video	3	—
Salad bar	3	3
Cosmetics	3	3
Natural foods	3	3
Nutrition shop	3	—
Pizza shop	3	—
Restaurant/snack bar	3	3
Bank	3	3
Fashion specialties	3	—
Appetizing department	3	3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Small Centers . . .

Small center development is still the most active area of the shopping center industry. Find out why the trend continues, and what it represents in terms of retail expansion opportunities in a special look at small center construction activity appearing in the July issue of *Chain Store Age Executive.*

Presence of departments by end of 1986

	Chain dollar volume	
	Top 100	101-206
Gourmet deli	95	80
Florist	90	45
Service meat or butcher shop	75	95
Pharmacy	75	45

Source: Chain Store Age Executive research

any new type of specialty department in 1986.

Yet, specialty departments are extremely likely to be an ever-more important method of merchandise presentation as they yield high gross margins for their operators. The survey results indicate, for example, that with the exception of the service meat or butcher shop operations, these departments generate profit margins substantially higher than the reported average of 20.1% for the total store.

In keeping with their overall popularity, in-store bakeries are shown to be by far the most profitable of these departments in terms of gross margins, coming out at approximately 47%. They are followed by cheese shops/nondeli gourmet departments, yielding 39%; florist, 37%; and gourmet deli, 36%.

There is also some evidence that many of the specialty departments outperform the stores' average in terms of weekly sales per square foot of selling area. In particular, while total supermarket selling space generated on average weekly sales of $11.60 per square foot at a typical supermarket in the chains surveyed, cheese shops or nondeli gourmet foods generated an average of $27.50, followed by pharmacies, generating an average of $26.40.

However, sales generated by in-store bakeries generated a slightly lower average of $11.40 per square foot.

The annual dollar volume of the chains surveyed in this research project ranged from $125 million to over $7 billion, reflecting a median annual volume of $326 million. The median number of units operated by the respondent chains was 44.5. ■